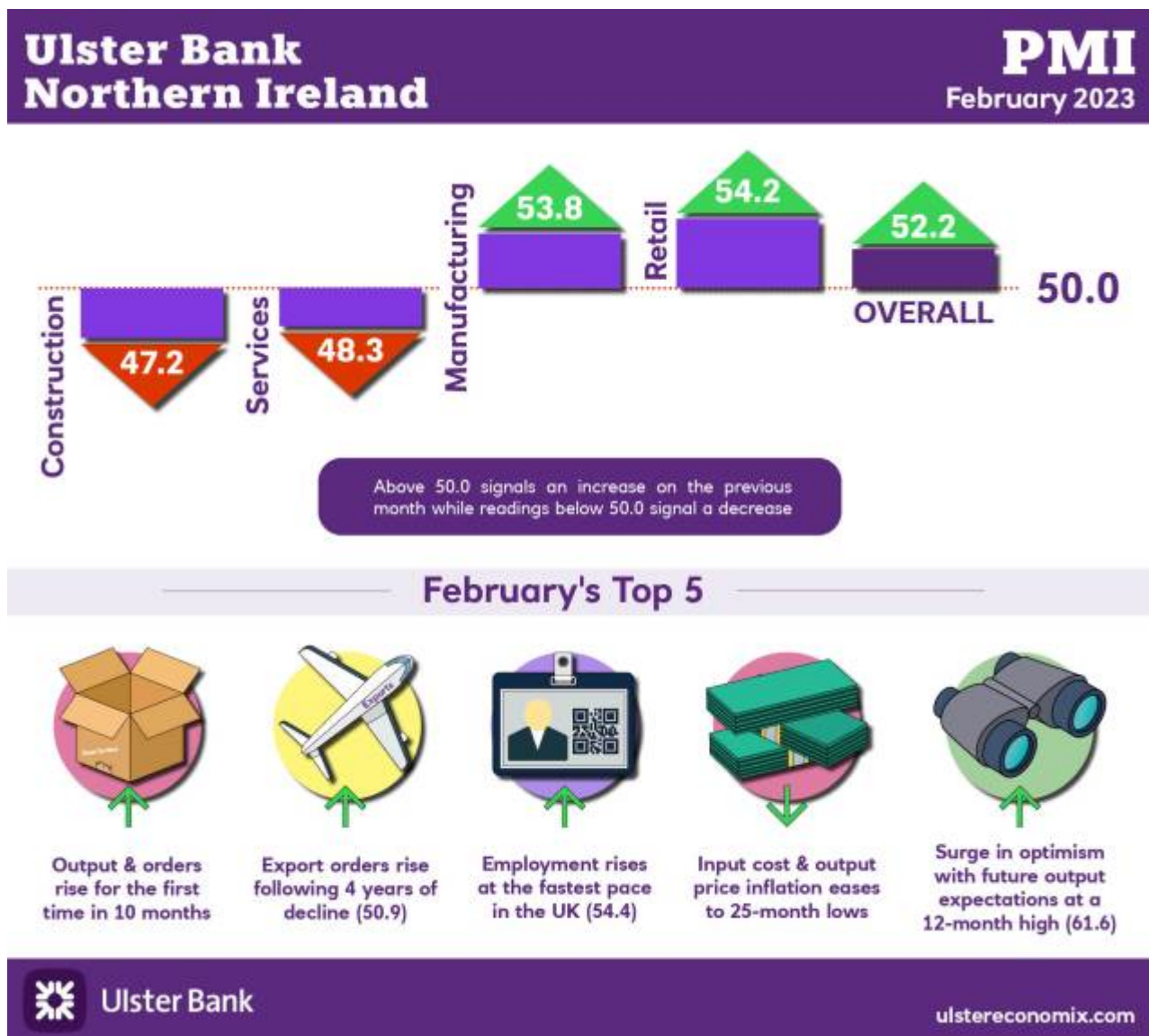


Today sees the release of February data from the Ulster Bank Northern Ireland PMI®. The latest report - produced for Ulster Bank by S&P Global - signalled a return to growth in February, with both output and new orders increasing amid signs of demand improving. As such, business confidence strengthened and employment growth quickened. Meanwhile, price and supply pressures continued to ease.



The latest PMI survey could be summed up in one word - improvement. All ten indicators of local business conditions improved in February relative to the previous month. Private

sector firms reported their first rise in output and new orders in 10 months. A notable improvement in the economic conditions within Northern Ireland's export markets helped lift export orders in February following four years of continuous decline.

The recovery in international demand aided a return to growth in output and orders for manufacturers. Meanwhile, retail's recent resurgence continued. The completed rollout of the £600 energy grant, coupled with cross-border shoppers from the Republic of Ireland, continues to provide a boost for the retail sector. Conversely, construction and services posted a further fall in output last month.

Firms continue to recruit with all four sectors increasing their staffing levels in February. Overall, employment rose at its fastest pace in 15 months with Northern Ireland outperforming the other 11 regions in the UK. Inflationary pressures continued to ease with both input cost and output price inflation falling to 25-month lows.

Finally, it was encouraging to see a surge in optimism last month across all four surveyed sectors. Expectations for output in 12 months' time hit a 12-month high which represents the highest level of confidence since Russia's invasion of Ukraine. This latest improvement occurred ahead of the unveiling of The Windsor Framework, so we may see further rises in sentiment in the coming months if it is accepted more universally than the NI Protocol was. Time will tell.

The main findings of the February survey were as follows:

The headline seasonally adjusted Business Activity Index posted 52.2 in February, moving back above the 50.0 no-change mark for the first time in ten months following a reading of 45.3 in January. Output increased modestly amid an increase in new orders and signs of demand improving. The manufacturing and retail sectors posted rises in activity, while

services and construction remained in decline. New orders, meanwhile, increased for the first time in ten months. New export orders also returned to growth, a marked turnaround following a sharp decline in January.

In line with the renewed increase in new orders, companies cited a marginal accumulation in backlogs of work, the first since April 2022. Higher new orders also boosted business confidence, which reached a one-year high. With workloads and confidence improving, companies expanded their staffing levels at a solid pace, with the rate of job creation quickening to the highest in 15 months.

Input prices continued to rise sharply on the back of higher costs for energy, transportation and wages, but the rate of inflation was at a 25-month low. The same was true of output price inflation. Meanwhile, suppliers' delivery times lengthened to the least extent in the two-year series history.

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